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ABSTRACT

The stage for the introduction of the Clinton Administration's fiscal year 1995 budget was largely set by the passage of the budget reconciliation bill signed into law in August 1993. In developing the budget, the Administration had to come up with enough spending cuts to meet the spending caps--as well as billions of dollars in additional cuts to pay for the increases it wishes to propose. This document explains how the Clinton Administration's fiscal year (FY) 1995 budget was developed. The introduction describes the budget cuts needed to comply with the FY 1995 spending ceiling. Following the introduction, section 2 explains the structure of the federal budget: (1) nonentitlement spending, which is subject to annual spending ceilings; and (2) pay-as-you-go entitlements and spending. To meet the cap on discretionary spending for FY 1995, the Administration chose to reduce nondefense year 1995, the Administration chose to reduce nondefense discretionary spending. The section offers reasons for tightening the squeeze on domestic programs: austere budget caps; a larger defense request; and a larger crime request. Section 4 describes funding for low-income programs (for health, child immunization, food assistance, and housing) and compares it to pre-Reagan funding levels. Overall, funding for these programs has remained steady. The concluding section notes future challenges, such as proposals for entitlement caps, and suggests that budgetary constraints could become still more severe. Two tables are included. The appendix provides data on proposed changes in low-income program (education, nutrition, health, employment, housing, and general assistance) funding for FY 1995. (LMI)

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Life Under the Spending Caps

The Clinton Fiscal Year 1995 Budget

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Life Under the Spending Caps

The Clinton Fiscal Year 1995 Budget

Paul Leonard

Robert Greenstein



Center on Budget and Policy Priorities
Washington, D.C.

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I. Introduction

The stage for the introduction of the Clinton Administration's fiscal year 1995 budget was largely set by the passage of the budget reconciliation bill signed into law in August 1993. That legislation locked in between \$400 billion and \$500 billion of deficit reduction over five years through entitlement cuts, tax increases, and the placement of stringent ceilings on non-entitlement spending. The 1993 budget law also extended the requirement, first enacted as part of the Budget Enforcement Act of 1990, that any action by Congress to increase an entitlement program or cut taxes must be "paid for" through an offsetting entitlement reduction or tax increase.

In designing the fiscal year 1995 budget, the Clinton Administration faced tough constraints. The overall spending ceiling for non-entitlement programs in fiscal year 1995 is billions of dollars below the amount envisioned for such programs in fiscal year 1995 in the original Clinton budget unveiled a year ago. Furthermore, if the Administration's fiscal year 1995 defense spending request is accepted, the amount left — under the ceilings — for nondefense programs that are not entitlements is \$4.7 billion *below* the amount needed to enable overall appropriations for these programs to remain at the FY 1994 level, adjusted for inflation.

In short, significant cuts are needed to comply with the fiscal year 1995 spending ceiling. Adding to the crunch, the Clinton Administration's goal isn't just to meet the ceiling, but also to increase funding for Administration priorities in areas ranging from early intervention programs for low-income children to infrastructure, research and development, technology, education and training, and crime control. In fashioning its budget, the Administration had to come up with enough cuts to meet the caps — and then billions of dollars in additional cuts to pay for the increases it wished to propose.

The result is a budget that contains extensive cuts in domestic non-entitlement programs, as well as a considerable number of initiatives. The budget for nearly every federal department features an array of cuts. The low-income part of the budget shows the same picture; it contains cuts in about 30 low-income programs, matched by increases in about 30 other low-income programs.

The cuts in the fiscal year 1995 budget are just the beginning. The spending ceilings grow much tighter in fiscal years 1997 and 1998; new rounds of cuts will be needed then. In addition, the Administration is now proposing higher levels of spending for defense and crime control programs than it did in its original budget of a year ago, which leaves less money for other non-entitlement programs.

The new Clinton budget belies the claims of those who like to label the Administration's fiscal policies as "tax-and-spend" and to claim the Administration is unwilling to cut spending. The best way to track overall levels of federal taxes and spending is to measure them as a percentage of national economic activity — that is, as a percentage of the Gross Domestic Product (GDP). Under the Clinton budget, federal tax receipts would average about 19 percent of GDP over the next five years, nearly the same as the average percentage under President Reagan during the 1980s. Meanwhile, federal spending would average about 21.5 percent of GDP over the next five years. In each of these years, federal spending would constitute a lower percentage of GDP than in any other year since 1979. As a result, the deficit, too, is down as a percentage of the Gross Domestic Product. The deficit in fiscal year 1995 is expected to be the second lowest in the past two decades, when measured as a share of the GDP (see box on next page).

One reason federal spending now is declining as a percentage of GDP is that the ceilings on non-entitlement spending are very stringent. Under these ceilings, which were enacted as part of last year's budget law, non-entitlement spending is subject to a five-year freeze, with no adjustment for inflation. Total non-entitlement spending in fiscal year 1998 will be at the same level as in fiscal year 1993, a feat not achieved under any previous Administration. In fact, despite the Clinton Administration's proposals to increase funding for various domestic programs identified as investment initiatives, total spending for domestic non-entitlement programs would — by fiscal year 1998 — constitute a *lower percentage of GDP than in any year since 1962*.

Entitlement spending in areas other than Medicare and Medicaid also appears under control. It is projected to decline as a percentage of GDP in the years ahead.

Federal Spending and the Deficit

Under the Administration's budget, the deficit in fiscal year 1995 would be \$176 billion, which will equal 2.5 percent of the Gross Domestic Product. As a percentage of GDP, this is a smaller deficit than in any year since 1974, with the exception of 1979.

The latest Congressional Budget Office report on the budget and the economy forecasts that the deficit will start to rise again in fiscal year 1999. CBO finds that *all* of the increase in the deficit after 1998 will be due to rising Medicare and Medicaid costs. Defense discretionary spending, domestic discretionary spending, and spending on entitlements and mandatory spending programs other than Medicare and Medicaid will continue to fall as a share of the Gross Domestic Product. The CBO analysis shows these components of the budget would, by themselves, reduce the deficit even after 1998. But rising Medicare and Medicaid costs will more than outweigh this positive trend, with the result that the deficit begins to climb once more in 1999.

The CBO analysis indicates that federal spending in areas other than health care is now largely under control and underscores the fact that long-term health care cost containment is the single most important step needed for the attainment of long-term fiscal stability. In fact, if Medicare and Medicaid costs were to rise at the same rate as Social Security costs rather than at the much higher growth rates projected for them, the deficit would be placed on a steady, uninterrupted, and decisive downward path for years to come.

The only part of the budget that is projected to grow consists of the two large health care entitlements, Medicare and Medicaid. Their costs continue to mushroom. The federal deficit is projected to start rising again in fiscal year 1999. All of the increase is due to the spiralling costs of these two health care entitlements.

The Administration has submitted a comprehensive health care reform proposal, and various members of Congress have introduced health care proposals of their own. Apart from health care reform, the Clinton budget contains few proposals in the entitlement area. The Administration is expected to unveil a welfare reform proposal shortly.

One challenge facing the Administration and Congress is that any proposals that involve increases in entitlement costs, such as the forthcoming welfare reform proposal, must be deficit-neutral. Such proposals have to be paid for through offsetting entitlement cuts or tax increases. The 1993 budget reconciliation bill used up most of the politically palatable tax and entitlement changes, however, making it much harder to find ways to pay for new entitlement measures. In fact, the Administration reportedly plans to propose paying for most of the costs of its welfare reform bill by cutting benefits in means-tested entitlements for low-income households.

II. The Structure of the Federal Budget

The federal budget is divided into two components. Programs that are not entitlements are on one side of the budget. On the other side are entitlements and taxes.

Entitlements are programs in which those who qualify are legally entitled to benefits specified in law. The federal government must provide sufficient funds to pay the benefits of all eligible people who apply for them. Entitlements include such programs as Social Security, Medicare, Medicaid, unemployment insurance, federal retirement programs, veterans' pensions and compensation, farm price supports, AFDC, SSI, food stamps, child nutrition programs, and the earned income tax credit. The entitlement side of the budget also includes some programs that are not open-ended entitlements but for which the law mandates the provision of a specified level of funds. These programs include the Social Services Block Grant, the JOBS program, and the new federal vaccine purchase program, among others, and are sometimes referred to as "capped entitlements."

As noted above, any increase that Congress approves in an entitlement program must be fully paid for through an offsetting cut in another entitlement or a tax increase. Similarly, any tax cut must be offset through a tax increase or an entitlement reduction.

The side of the budget that includes the *non-entitlement* programs is sometimes called the "discretionary" side of the budget. It includes the defense budget, the costs of operating federal agencies, and all non-defense programs that are not entitlements. The funding levels for programs on the discretionary side of

The Federal Budget Structure	
<i>Subject to Annual Spending Ceilings</i>	<i>Pay-As-You Go</i>
<i>All Non-Entitlement Spending</i> This includes the defense budget, international affairs, and all of the domestic budget except for entitlements	<i>Entitlements and Taxes</i> Any entitlement increase or tax cut must be offset, dollar-for-dollar, by an entitlement cut or a tax increase.

the budget generally are determined by the amounts provided for these programs in annual appropriations bills.

The Budget Enforcement Act of 1990 and the Omnibus Budget Reconciliation Act of 1993 established ceilings — or "caps," as they are often called — on the total amount that can be spent on the discretionary side of the budget.¹ There are now caps in place for all fiscal years through fiscal year 1998. Discretionary programs must compete with one another for the limited funding available under these caps.

¹ Actually, for each fiscal year, there are two caps — a cap on total *appropriations* for non-entitlement programs and a separate cap on total *spending* for these programs. The spending cap is usually more stringent than the appropriations cap and has generally been the controlling factor when budget and appropriations decisions are made.

III. How Tight Are the Caps on Discretionary Spending?

The cap on discretionary spending in fiscal year 1995 is tight. To meet it, the Clinton Administration had two choices — it could lower the defense spending level for fiscal year 1995 that was reflected in its original budget issued a year ago or it could propose to reduce nondefense discretionary spending. The Administration chose to follow the latter course.

To comply with the discretionary spending cap while sticking with its defense spending request, the Administration had to cut fiscal year 1995 spending for nondefense discretionary programs \$4.7 billion below the fiscal year 1994 level, after adjusting for inflation. Moreover, since the Administration wished to propose to increase spending in a number of priority areas, it had to include far more than \$5 billion in cuts to produce \$4.7 billion in *net* savings.

The Administration's budget includes reductions in nearly every federal department and agency. More than 100 non-defense programs or program activities would end. More than 70 other programs would face funding reductions.

The budget also includes an array of increases in programs that the Administration considers priorities. The priorities include programs in areas such as crime control, infrastructure, education and training, technology, Head Start, WIC, the National Service program, the National Institutes of Health, AIDS treatment, drug treatment, child immunization, certain housing programs, and legal services. In most of these areas, the increase the Administration is now recommending is smaller than the increase called for in the original Clinton budget of a year ago. Because of the stringent spending caps, the Administration has scaled back its investment program while also recommending a larger number of domestic program cuts.

Still Larger Cuts Lie Ahead

When it considers the Administration's new budget, Congress either will enlarge the cuts, further scale back the Administration's investment initiatives, or do some of both. The Congressional Budget Office, which uses somewhat different estimating assumptions than the Administration, has projected that the Administration's budget would exceed the fiscal year 1995 discretionary spending cap by \$3.1 billion. Congress uses the CBO estimates in fashioning the Congressional budget resolution and the appropriations bills. So Congress will have to cut \$3.1 billion in fiscal year 1995 spending from the Administration's budget.

The cuts that will be made this year are just the beginning. Deeper cuts will come in subsequent years as the caps tighten further, especially in fiscal years 1997 and 1998. If the defense spending levels proposed by the Administration are approved, non-defense discretionary programs must — over the next four years — be cut \$28 billion below the levels needed to maintain them at the fiscal year 1994 level, adjusted for inflation.

In other words, if every one of the Administration's investment initiatives were to be abandoned, \$28 billion in non-defense discretionary cuts would still be required over the next four years to fit within the caps. To accommodate the Administration's investment initiatives under the caps, the total amount that must be cut from other non-defense discretionary programs is several times the \$28 billion figure. (See Table I.)

Why the Squeeze on Domestic Programs is Tightening

Why are the caps so tight? There are three principal reasons the constraints on resources for domestic discretionary programs seem so much greater now than they did a year ago.

First and most important, Congress set the discretionary spending caps for fiscal years 1995 through 1998 some \$50 billion below the discretionary spending levels for those years reflected in the original Clinton budget of a year ago. Thus, discretionary spending over the next four years must be held \$50 billion below the levels reflected in the President's first budget.²

² The original Clinton budget essentially proposed to raise the caps for fiscal years 1994 and 1995. Congress declined to raise the FY 1994 and FY 1995 caps, however, which had been set in the 1990 budget agreement. In addition, Congress established new, even more stringent caps for fiscal years 1996 through 1998.

Table I
The Squeeze on Domestic Discretionary Programs - Using OMB Data

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>Four-Year Total</u>
	(in billions of dollars)				
Spending Caps	\$542.4	\$548.6	\$547.8	\$547.7	\$2,186.5
Clinton Defense Request	271.1	261.6	257.0	257.1	1,046.8
Amounts Remaining for Non-defense Programs Under the Caps	271.3	287.0	290.8	290.6	1,139.7
Amounts Needed to Maintain FY 1994 Service Levels for Non-defense Programs	276.0	286.8	297.7	306.8	1,167.3
Non-defense Cuts Required Below Current Services Levels	-4.7	+0.2	-6.9	-16.2	-27.6

Source: OMB, *Budget of the United States Government, Fiscal Year 1995*, p. 235; OMB, *Budget of the United States Government, Fiscal Year 1995: Analytical Perspectives*, p. 213. These estimates differ slightly from those made by the Congressional Budget Office. Under the CBO estimates, complying with the existing caps while providing the Clinton defense request would require nondefense discretionary cuts of \$31.2 billion over the next four years, as compared to cuts of \$27.6 billion under the OMB estimates.

The other two reasons the caps will squeeze domestic discretionary program more tightly in coming years are discussed below. They are: 1) the Administration now is requesting more for defense spending than it did in its original budget; and 2) the Administration is seeking substantially larger resources for crime programs than it did a year ago, which will reduce the available funding for domestic discretionary programs in other areas.

Defense Spending Levels

The Administration's new budget contains \$11.8 billion more in defense spending over the next four years — and \$17.2 billion more in defense appropriations — than the Administration sought in its original budget a year ago. This change in the Administration's defense budget request is designed primarily to cover the costs of a military pay raise the Administration did not request but Congress nonetheless provided last year.

The Administration had proposed a one-year freeze on the pay of all federal workers, civilian and military alike. Congress rejected that. Under the new Clinton budget, the Pentagon would receive additional funds to cover the costs of this pay raise, although other federal agencies — which also are affected by the pay raise — would not. The provision of additional funds to the Pentagon reduces the funds left under the cap for other departments and agencies.

The Administration's new defense levels seem likely to be accepted on Capitol Hill. In fact, there are some who argue for higher defense spending levels than the Administration has recommended. Last year, the Pentagon conducted a "Bottom-Up Review" to establish Clinton Administration policies and strategy in the defense area. Defense Secretary William Perry has recently stated that due to projections indicating inflation will be higher over the next few years than had previously been forecast, the Administration's new defense budget contains \$20 billion less over the next five years than appears needed to implement the policies called for in the Bottom-Up Review. Perry has noted that this shortfall may disappear if the actual inflation rate turns out to be lower than is now being forecast. If the inflation forecast proves accurate, however, the Administration will face a decision on whether it will find additional savings in the defense budget or will increase the defense budget and cut more deeply into domestic programs. Some on Capitol Hill would prefer to raise defense spending and make deeper cuts elsewhere.

At the same time, a number of respected defense analysts have raised hard questions about the policies recommended in the Bottom-Up Review. Experts such as Lawrence Korb of the Brookings Institution, an assistant secretary of defense under President Reagan, and Andrew Krepinevich, director of the Defense Budget Project and a former high-level Pentagon analyst, have challenged key assumptions underlying the Review. In particular, the Bottom-Up Review assumes the United States needs to be prepared to engage in two major regional wars simultaneously. Yet while the United States has been engaged in three major regional conflicts in the 49 years since the end of World War II, it has never engaged in two regional conflicts at the same time. If that did not occur during the height of the Cold War, analysts such as Korb and Krepinevich note, it is highly unlikely it would occur any time in the foreseeable future. This issue is of considerable importance — the assumption the United States needs the weaponry and forces to fight two simultaneous regional wars, an assumption inherited from the Bush Defense Department, leads to requests for higher levels of defense spending than would be needed for a defense strategy that reflects a need to be prepared to wage one major regional war at a time.

Anti-Crime Spending Also Slated for Large Increase

The Administration also is seeking much larger increases in spending for anti-crime programs than it called for in its budget a year ago. The Administration's

The Administration's Budget and the Spending Caps for Future Years

Tables in the new Clinton budget indicate the budget meets the discretionary spending caps each year between now and fiscal year 1998. These tables, however, assume several developments that are not likely to occur.

First, the tables assume \$7.6 billion in government savings over the next four years from reforms in the federal procurement process. The budget shows these savings as helping to meet the caps. No specific breakdown by department or agency is provided for these savings.

At least half of the assumed savings in federal procurement costs are defense savings. To hit the caps for fiscal years 1995 through 1998, the budget thus assumes that the spending levels listed in the defense part of the budget will be reduced about \$4 billion. The defense spending levels presented in the budget represent the spending levels *before* these defense procurement savings are subtracted.

The President's State of the Union address conveyed the sense that the defense numbers shown in his budget should not be reduced. He presumably meant the numbers shouldn't come down except for the purpose of reflecting the defense procurement savings, but some may use the President's words to argue that his defense numbers should not be lowered for any reason. If the defense numbers in the budget are not ultimately reduced to reflect the Pentagon's share of the assumed procurement savings, a big chunk of procurement savings that are supposed to help meet the caps will not be available for that purpose. An extra \$4 billion will have to be sliced from nondefense discretionary programs instead.

Aggravating this problem, the budget also assumes more than \$15 billion in discretionary savings over the next five years as a result of enactment of the Administration's health care reform bill. These savings would come from veterans' health care, federal employee health benefits, and the costs for providing health care to military personnel. For example, the \$15 billion in savings includes savings resulting from new premium payments that employers and employees would make to veterans hospitals in cases where veterans hospitals served as health care "alliances."

The Administration's health care proposal, however, is likely to be altered substantially on Capitol Hill. It is far from clear at this point what the final coverage provisions will look like or when they will take effect, whether there will be health care alliances, or whether veterans hospitals will be allowed to become alliances. Consequently, it may not be possible to secure anything close to \$15 billion in discretionary health savings over the next five years. But if savings of this magnitude are not achieved in the discretionary health programs, the budget gap confronting domestic discretionary programs will widen.

The budget hole will be particularly large by fiscal year 1998. The budget assumes that close to \$8 billion in discretionary savings from Pentagon procurement savings and discretionary health savings will be used to help meet the FY 1998 cap. There is risk that only a modest amount of this \$8 billion will materialize by that year. If that occurs, deeper cuts in other domestic discretionary programs are likely to ensue.

original budget featured a crime initiative, but the new budget proposes spending \$9 billion more on crime programs over the next four years than the original budget did. Largely as a result of this initiative, appropriations for the Justice Department would nearly double by fiscal year 1999.

The amount the Administration is requesting for the crime initiative is roughly the same as the amount earmarked for crime control efforts in the crime bill the Senate passed in the fall of 1993. The Administration's crime initiative would provide grants to state and local governments to put additional police officers on the streets and boost funding for an array of other measures designed to reduce criminal activity.

Congress May Impose Additional Restraints

In coming months, Congress will consider proposals that would further restrict funds for domestic non-entitlement programs.

Lowering the Discretionary Caps

There will be efforts to lower the discretionary caps. On March 17, the Senate Budget Committee voted 13-8 to reduce the caps by \$18 billion over fiscal years 1995 to 1998. The provision lowering the caps, known as the Exon-Grassley amendment, is part of the fiscal year 1995 budget resolution approved by the Senate Budget Committee and subsequently by the full Senate. The measure is headed for conference with the House as this report goes to print. (Under the Exon-Grassley amendment, it will require 60 votes on the Senate floor to approve appropriations bills that exceed the austere caps the amendment sets.) If the caps are lowered as the Exon-Grassley amendments provides, additional reductions in non-defense discretionary programs will be inevitable, and the Administration's investment proposals will almost surely shrink further. The Clinton Administration opposes the Exon-Grassley amendment.

Violent Crime Trust Fund

The Senate crime bill tightens the budget squeeze on programs that are not crime-related. The bill authorizes an additional \$22 billion in spending over the next five years on anti-crime activities and establishes a Violent Crime Reduction Trust Fund, under which this \$22 billion could be spent *only* for activities authorized in the crime bill. The overall discretionary caps would be lowered by \$22 billion. In effect, a new "wall" would be created between anti-crime activities and all other discretionary spending.

Funding for anti-crime activities authorized in the crime bill would essentially be guaranteed for the next five years, while other discretionary programs would have less funding available. If some of the crime initiatives proved ineffective — or took longer to implement than is currently envisioned and thus cost less in the next few years — it would not be possible to transfer any of the funds to other high-priority areas. Moreover, if both the Exon-Grassley amendment and the legislation establishing the crime trust fund were to pass, none of the additional savings needed in discretionary programs to comply with the Exon-Grassley amendment could be taken from crime programs, even if such programs weren't working well.

The Senate crime bill contains one other important feature — it establishes a Violent Crime Reduction Trust Fund. In establishing this fund, the Senate bill would erect a budget "wall" around the new crime expenditures; these amounts could be used solely for anti-crime programs. That would tighten the squeeze on other domestic discretionary programs because it would leave less money under the discretionary spending caps for everything else. The Administration's budget calls for creation of a Crime Control Fund but does not make clear whether the Administration is proposing to "wall off" funding for anti-crime activities for the next five years in the same manner as the Senate crime bill would do.

The three factors described here as contributing to the growing squeeze on domestic discretionary programs — austere budget caps that are set \$50 billion below the fiscal year 1995 to 1998 levels in the original Clinton budget, a defense request up \$12 billion from the original Clinton budget, and a crime request up \$9 billion — have a large combined effect. As a result of these factors, there would be \$71 billion less for non-defense discretionary programs other than crime measures over the next four years than was contained in the original Clinton budget.

IV. Funding for Low-Income Programs Remains Steady in Fiscal Year 1995

Under the fiscal 1995 Clinton budget, overall funding for low-income discretionary programs would remain essentially changed. The lack of significant change in the overall level of resources for these programs, however, masks substantial change at the program level. The low-income part of the budget contains both impressive increases and deep cuts.

About 30 low-income non-entitlement programs would be reduced in fiscal year 1995, while about the same number would be increased. The total amount of funding for low-income non-entitlement programs in fiscal year 1995 would be just about the same as in fiscal year 1994, after adjusting for inflation. (It would edge up by less than one half of one percent.) Most other parts of the domestic budget fare less favorably than that, sustaining a net reduction.

Low-income programs slated for reductions include the low income energy assistance program, various public housing programs, rural housing programs, the HOME housing block grant program, the emergency food assistance program, training grants for youth under the Job Training Partnership Act (JTPA), financial aid for needy students, and the community services block grant. Increases would go to such low-income programs as Head Start, WIC, the Child Care and Development Block Grant, compensatory education for disadvantaged children, the Job Corps, the summer jobs program, JTPA training for adults, housing certificates and vouchers, programs for the homeless, the legal services program, and various programs aimed at strengthening low-income communities. (See Table II.)

Table II
Major Changes Proposed in Appropriations
for Low-Income Discretionary Programs

Major Increases (in millions of dollars)				
<u>Program</u>	<u>Proposed Level for FY 1995</u>	<u>Increase over FY 1994 Level</u>	<u>Increase over FY 1995 Baseline*</u>	<u>Percentage Increase over Baseline</u>
Housing Certificates & Vouchers	\$2,743	\$1416	\$1380	101.3%
Child Immunizations	888	360	346	63.8%
Homeless Grants	1,120	297	275	32.5%
Head Start	4,026	700	610	17.9%
Summer Youth Employment	1,056	168	144	15.8%
Child Care Block Grant	1,091	172	147	15.6%
Adult Training Grants	1,130	142	115	11.4%
WIC	3,564	354	267	8.1%
Compensatory Education	7,579	655	468	6.6%
Project-Based Community Dev. Grants	800	800	NA**	NA**

Major Decreases (in millions of dollars)				
<u>Program</u>	<u>Proposed Level for FY 1995</u>	<u>Decrease from FY 1994 Level</u>	<u>Decrease from FY 1995 Baseline</u>	<u>Percent Decrease from Baseline</u>
Emergency Food Assistance Program	\$ 40	\$ -80	\$ -83	-67.5%
Elderly and Disabled Housing	553	-1,014	-1,056	-65.6%
Indian Health Facilities	125	-172	-180	-59.0%
Low income energy assistance	730	-707	-745	-50.5%
Public & Ind. Housing Construction	413	-329	-349	-45.8%
Rural Housing Loans	746	-369	-408	-35.4%
HOME housing grants	1,000	-275	-309	-23.6%
Financial Aid for Needy Students	7,867	-135	-351	-4.3%

* The baseline is the amount needed to maintain FY 1994 levels after adjusting for inflation.

**The proposed Project-Based Community Development Grants is a new initiative; it would be administered by the Department of Housing and Urban Development. Because it would be new and received no funding in fiscal year 1994, it is not included in the baseline.

In the low-income housing area, the budget reflects major shifts in priorities, with large increases in some program areas and sizable decreases in others. This is described in some detail later in this chapter. Outside the housing area, the largest cut in dollar terms would come in the low-income energy assistance program, which would be sliced in half and lose more than \$700 million. The biggest gainer outside the housing area would be the Head Start program, which would receive \$610 million above the amount needed to keep pace with inflation.

Comparison to Pre-Reagan Funding Levels

While total fiscal year 1995 appropriations for low-income discretionary programs would be about the same as the fiscal year 1994 level, funding for this part of the budget would remain below the levels in place before the Reagan budget cuts of the early 1980s. Total appropriations for low-income discretionary programs in fiscal year 1995 would be 38 percent below the fiscal year 1981 level, after adjusting for inflation. In fiscal year 1981, before the Reagan cuts began, \$62.6 billion was appropriated for these programs; this is equivalent to \$106.5 billion in fiscal year 1995 dollars. Under the Clinton Administration's fiscal year 1995 budget, appropriations for these programs would total \$66.2 billion next year.

Most of the decline stems from drastic reductions during the 1980s in appropriations for low-income housing programs. Appropriations for these programs have been cut more than 60 percent since 1981. Appropriations for subsidized housing programs in the Department of Housing and Urban Development were reduced most sharply during this period — 82 percent. Loan levels in the housing programs of the Farmers' Home Administration were cut 50 percent.

The deep reductions in appropriations for subsidized housing during this period are not matched, however, by declines in actual expenditures — or outlays — for these programs. To the contrary, housing outlays rose. As a result, using changes in housing appropriations levels in funding comparisons of this sort tends to distort funding trends for low-income programs.³

³ The deep reductions in appropriations for subsidized housing programs during this period are not matched by decreases in "outlays" (or actual expenditures) for these programs. During the 1980s, housing outlays increased significantly. The disparity between the large reductions in appropriations for subsidized housing programs and the substantial increases in actual expenditure levels is partly due to the fact that each year, the federal government makes commitments to provide housing assistance to additional low-income households, while also continuing to provide aid to households already on the subsidized housing rolls.

This increase in the number of households served by the subsidized housing programs is needed because there has been a sharp decline over the past two decades in the stock of privately owned, unsubsidized low-rent housing. The decline in the private market has outstripped the growth in government housing programs. Meanwhile, the number of low-income families in need of affordable housing has risen substantially. The net result of these developments has been a worsening of the shortage of affordable housing. Census data show that in 1970, the number of low-rent units nationwide was approximately 300,000 greater than the number of low-income renters. By 1991, there were 4.5 million fewer low-rent units than low-income renters.

Because of these trends, the number of households assisted through government housing programs needs to rise substantially each year just to keep the shortage of affordable housing from growing still larger. As a result, the best measure of trends in federal investment in low-income housing is neither the change in appropriation levels nor the change in outlay level. Rather, the best measure is the number of additional low-income households assisted through the federal housing programs each year.

(continued...)

If all low-income discretionary programs except the housing programs are considered, overall appropriations for low-income discretionary programs in fiscal year 1995 under the new Clinton budget would be five percent — or \$2.2 billion — below the fiscal year 1981 level, after adjusting for inflation.

Low-Income Health Programs

The Administration's budget for health programs that are not entitlements requires some explanation. The new budget provides funding for certain health programs through two separate funding streams.

The first stream consists of normal appropriations for these programs. The appropriation levels the Administration is proposing for most low-income discretionary health services programs are below the fiscal year 1994 levels, as adjusted for inflation. For example, the proposed appropriation for community health centers is \$604 million, which is \$12 million below the fiscal year 1994 level after inflation is taken into account. The requested appropriation for the Maternal and Child Health Block Grant is \$27 million below the inflation-adjusted fiscal year 1994 level. The proposed appropriation levels for the migrant health program, Healthy Start, and the National Health Service Corps would be at last year's levels with no adjustment for inflation.

But the Administration also is seeking an additional \$1.1 billion for health programs in fiscal year 1995 through the "Public Health Initiative" contained in its health care reform proposal. These funds, which would be paid for by savings generated by other parts of the health care reform bill — and would not count against the discretionary spending caps — would supplement the funds provided through the normal appropriations process.

About half of these additional health funds would be used to increase the number of health care providers in medically underserved areas, many of which have high proportions of low-income residents. Some \$100 million of the \$1.1 billion would be directed to community and migrant health centers. Another \$200 million would be devoted to efforts to establish provider networks in underserved areas and

³ (...continued)

By this measure, there has been a sharp retrenchment in federal support for low-income housing over the last decade and a half. From fiscal year 1977 through fiscal year 1980, HUD made commitments to provide rental assistance to an average of 290,000 additional low-income households each year. But from fiscal year 1981 through fiscal year 1994, the number of additional households aided dropped to an average of 74,000 per year, a reduction of nearly three-fourths. This reduction appears to be one of the factors that has contributed to the growing shortage of affordable housing.

renovate and improve facilities in these areas. The Indian Health Service would receive \$40 million to bring the services it provides closer to the basic benefit package that would be offered under the Administration's health care reform plan. Another \$100 million would be used to increase access to mental health and substance abuse services.

Whether this additional \$1.1 billion in funds will materialize is unclear. This funding is contingent upon enactment of the Clinton health plan. Most observers expect there will be extensive changes in the health care reform legislation before it is enacted; it is uncertain whether this \$1.1 billion will survive. Moreover, if the \$1.1 billion is included in the final health care reform bill, there is a risk that the Appropriations Committees will make offsetting reductions in the regular appropriations for some of these health services programs to free up funds for other purposes.

Child Immunization

Child immunization is another area where the Clinton budget provides funding in two pieces. Last year's budget reconciliation law established a new "capped entitlement" under which \$424 million will be used in fiscal year 1995 to purchase vaccines. The federal government will buy these vaccines and provide them free of charge to states for use in immunizing children under 18 who are either enrolled in Medicaid or uninsured, as well as to immunize some children who lack coverage for immunizations under their health insurance plans.

In addition to the federal vaccine purchases, the Administration's budget requests an appropriation of \$464 million for the immunization program operated by the Centers for Disease Control. Total resources for child immunization efforts would total \$888 million, some \$360 million — or 64 percent — more than the amount provided for immunizations in fiscal year 1994.

Food Assistance Programs

Like many other parts of the budget, the budget for food assistance programs contains both increases and decreases, although the increases outweigh the decreases. The principal increase is a substantial boost in funding for the Special Supplemental Food Program for Women, Infants and Children (WIC).

The budget requests a \$354 million increase for WIC, an increase of \$267 million after inflation is taken into account. This would enable the number of women, infants, and children served through WIC to surpass the seven million mark and keep WIC on track toward the President's goal of "full funding" by the end of fiscal year 1996. (Full funding means that all eligible individuals who apply for WIC

would be served.) The budget also includes an increase of \$18 million for expanded nutrition education aimed at children efforts and initiatives to improve the nutritional quality of meals served through the school food programs.

The principal decrease is the elimination of an \$80 million appropriation for The Emergency Food Assistance Program (TEFAP). These funds are used to purchase food distributed to emergency food providers that provide food packages (rather than meals) to needy people. The federal government would continue to provide surplus food items to these emergency food providers and would maintain the current \$40 million annual appropriation used to help defray the operating costs that state agencies and the emergency providers incur in distributing food to the needy. Funds used to purchase food for soup kitchens would climb modestly, rising from \$40 million this year to \$50 million in fiscal year 1995.

The component of the Commodity Supplemental Food Program under which a monthly food package is provided to low-income elderly people in 57 locations across the country also would sustain reductions; it would be cut \$10 million. The number of elderly people served through this program would drop from 170,000 per month to 110,000.

Approximately \$9 million also would be cut from Agriculture Department funding for the nutrition program for the elderly, which helps to support meals for the elderly at senior citizen centers and meals-on-wheels programs. This reduction would be implemented by reducing the federal meal subsidy provided in this program by about four cents per meal.

No changes are proposed in food assistance programs that are entitlements. The Administration reportedly considered expanding child nutrition programs but did not include such expansions in its budget due to the lack of an accompanying proposal to pay for the child nutrition increases through cuts in other entitlements or a tax increase.

Low Income Housing

Some of the largest increases and decreases in low-income programs are in the housing budget. Total fiscal year 1995 appropriations for housing programs serving low-income households would fall \$856 million below fiscal year 1994 levels, after adjusting for inflation. The number of additional households provided housing assistance, however, would increase slightly, from 76,723 households in fiscal year 1994 to 79,428 in fiscal year 1995.

Most of the additional households aided would receive rental assistance. The budget proposes to combine various Section 8 housing certificate programs into a

Supplemental Appropriations Bill Affects Low Income Programs

Shortly after the President's budget was released, the Congress enacted an \$11 billion supplemental appropriations bill, primarily to provide emergency assistance following the Los Angeles earthquake. The emergency funding provisions for Los Angeles included \$225 million for subsidized housing and \$500 million for the community development block grant program.

The supplemental appropriations bill also released an additional \$300 million for the Low Income Home Energy Assistance program. While this funding had been appropriated for FY 1994, its release was contingent upon a request by the President to release the money to address emergency conditions caused by the cold winter.

Congress offset \$3.25 billion of the costs of the supplemental appropriations bill with rescissions — the cancellation of previously appropriated funds — in a range of program areas. Rescissions targeted at low-income programs included: the cancellation of \$100 million in funds appropriated for the subsidized housing program, \$76 million appropriated for Section 8 contract renewal funds, \$66 million appropriated for HOPE, \$35 million appropriated for rural housing loans, \$25 million appropriated for rural housing vouchers, and \$10 million provided for the commodity supplemental food program.

single program that would assist 70,000 new households. Some 5,000 of the 70,000 new certificates would be reserved for disabled households, with another 15,000 used to help homeless families. The budget also includes \$149 million to provide counseling services to families receiving rental assistance to assist them in moving to neighborhoods with lower concentrations of poverty.

The budget also boosts aid to the homeless. In addition to the new "set-aside" of certificates for the homeless, it proposes consolidating HUD's categorical programs for the homeless into a single block grant, with appropriations increased by nearly \$300 million over the fiscal year 1994 levels.

Meanwhile, the budget would make substantial reductions in public housing programs, including deep cuts in funding for new construction and more modest reductions in public housing operating subsidies and funding to modernize public housing projects. Funding for the elderly housing program would be cut \$1 billion. In addition, no new funds would be provided for preserving privately-owned, but federally subsidized housing projects; funding for these activities would be available from prior-year appropriations. Appropriations for the HOME housing block grant program would be trimmed from \$1.275 billion in fiscal year 1994 to \$1.0 billion in fiscal year 1995.

The HUD budget also proposes a number of policy changes that would generate savings. For example, the Administration proposes to lower the "Fair Market Rents" used as the rental standard in HUD rental assistance programs. Currently, the Fair Market Rent is set at the 45th percentile of rental costs for modest

but decent units in a local area. The Administration would lower the Fair Market Rent to the 40th percentile of local rental costs. This would lower the maximum allowable rents for apartments newly rented through the Section 8 program. As a result, low-income households either would choose from a smaller range of apartments or pay a larger amount of their incomes for rent. Lowering fair market rents also allows HUD to provide housing assistance to more households with the same amount of subsidy dollars.

Finally, the budget proposes that HUD establish a new preference for working households. This would give households that contain a worker a priority over some other households in receiving housing assistance. Providing more assistance to working families would increase the average income of households aided through the rental assistance programs; it would thereby weaken HUD's targeting somewhat and reduce the average subsidy per household. The new preference for working households also would have some advantages. It would provide an incentive for low-income families to work. In addition, attracting more working families into public housing projects is seen as a way to help stabilize these projects and create potential role models for non-working families that reside there.

V. Conclusion

The stringency of the budget control procedures established in the 1990 budget agreement and toughened in last year's budget bill is increasingly being felt. Overall spending for non-entitlement programs is being ratcheted down. To remain within the discretionary spending caps while also undertaking new initiatives requires extensive cutting.

The large increase slated for crime programs as well as the upward revision in the Clinton defense spending request make the squeeze tighter. The squeeze on non-entitlement programs will become especially tight in fiscal years 1997 and 1998. To preserve a meaningful domestic investment agenda in the years ahead, greater restraint in defense and crime spending appears necessary, as does approval of extensive cuts in lower-priority domestic programs. But it is far from clear such steps will be taken. The Clinton Administration's investment agenda must be considered to be at some risk, a risk intensified by the prospect that the discretionary spending caps may be lowered further and a new wall created around crime programs.

The squeeze also is tight on the side of the budget that contains entitlements and taxes. Other than the cigarette tax proposed to help finance health care reform, there appears to be little interest in Washington in further significant revenue-raising. Entitlement savings are hard to come by, too. Savings from Medicare and Medicaid changes are needed to help pay for health care reform; they generally are not available to help pay for other measures involving an increase in the costs of an entitlement. Social Security continues to be off-limits. And most of the politically feasible savings in other entitlement programs were enacted last year as part of the budget reconciliation bill.

Entitlement Cap Proposals Also Loom

A number of Senators and Representatives are proponents of proposals to enact annual caps on total entitlement spending (other than Social Security). These caps would be set significantly below the levels that entitlement spending would reach under current law.

The "entitlement cap" idea was originated by former OMB director Richard Darman and was a centerpiece of the Bush presidential campaign. Under most entitlement cap proposals, an automatic sequester — or across-the-board cut — of entitlement programs other than Social Security would occur in any year Congress failed to pass reconciliation legislation that brought entitlement spending within the caps. All other entitlement programs, including basic benefits for the poor that are exempt from sequestration under the Gramm-Rudman-Hollings law, would be fully subject to sequestration.

There are a number of serious problems with these entitlement cap proposals.

- The entitlement cap is another in a long series of procedural proposals that allow proponents to claim they are reducing the deficit without identifying the specific programs they would cut or by how much.
- The rapid rise in federal entitlement costs is essentially a problem of spiralling health care costs, specifically Medicare and Medicaid, *not of entitlements in general being out of control.*
- An entitlement cap would undermine efforts take the most important step needed for major long-term deficit reduction — enactment of comprehensive health reform.
- If health care savings are largely preserved for health care reform, the only alternative for complying with the entitlement cap would be extremely deep cuts in other entitlement program areas — including veterans benefits, unemployment compensation, agricultural subsidies and means-tested programs for the poor. These are programs whose costs are not rising rapidly.

The entitlement cap proposal also raises significant equity issues. If there is a requirement to reduce overall entitlement costs — and various entitlement programs are pitted against each other as a result — there is a strong risk that the programs with the weakest constituencies could lose. Basic benefits that enable poor families and elderly and disabled people to eat, pay rent, and meet other necessities could be at particular risk. Furthermore, the entitlement cap ignores "tax entitlements." As a result, it is likely to tilt in favor of the wealthy.

As a result, paying for improvements in entitlement programs has become quite difficult. The Administration deleted improvements in child nutrition programs from its fiscal year 1995 budget due to lack of a financing mechanism, and it now is struggling mightily to find ways to pay for its forthcoming welfare reform bill. The Administration reportedly is considering financing most of the welfare reform costs by cutting means-tested benefits for low-income children and their families and low-income elderly people. Depending on the outcome on this and other issues, the

result could be a welfare reform plan that would increase poverty rather than reduce it, especially if the education, training and work aspects of the welfare reform plan do not yield more impressive results than similar endeavors in the past.

Tight as the budgetary constraints already are, they could become still more severe. Comprehensive health care reform that includes universal coverage and tough cost containment — the single most important next step for deficit reduction — is in jeopardy. Congress may end up producing a tepid reform that fails to yield meaningful long-term cost constraint in public and private sector health care costs. Meanwhile, approaches likely to have deleterious effects — including measures to reduce the discretionary spending caps and jeopardize the remaining Clinton investment program and measures to establish arbitrary and ill-conceived "entitlement caps" in lieu of tough health care reforms — now threaten. And while the balanced budget constitutional amendment will not pass Congress in 1994, it will surely return in 1995 after the mid-term Congressional elections.

The struggle over whether the nation attains long term fiscal stability and economic growth — and whether it does so in a balanced and prudent manner — continues unabated. Last year's events, highlighted by passage of the budget reconciliation act, marked a major step forward. Whether developments in 1994 and subsequent years register further steps forward or a slide backward remains to be seen.

Appendix
Proposed Changes in Low-Income Program Funding under the Clinton Budget for FY 1995
(Budget Authority, in millions)

	CBO BUDGET AUTHORITY (APPROPRIATION) FOR FY 1994 (1)	CBO FY 1995 BASELINE BA (2)	PROPOSED BUDGET AUTHORITY, FY 1995	DIFFERENCE FROM BASELINE	PERCENTAGE CHANGE
EDUCATION					
Compensatory Education (Chapter 1 and Migrant)	6,924	7,111	7,579	468	6.6%
Education for the Homeless (Children and Adults) (3)	35	36	40	3	8.7%
Financial Aid for Needy Students	8,020	8,237	7,867	-370	-4.5%
Head Start	3,326	3,416	4,026	610	17.9%
Indian Education - BIA	496	511	513	2	0.4%
Indian Education - Dept. of Ed.	84	86	86	0	0.0%
Programs for the Disadvantaged (TRIO Plus)	419	430	436	7	1.5%
TOTAL LOW INCOME EDUCATION	19,304	19,827	20,547	720	3.6%
NUTRITION					
Commodity Supplemental Food Program	105	107	95	-13	-11.9%
Food Donations for Low Income Groups	259	266	230	-36	-13.5%
Emergency Food Assistance Program	120	123	40	-83	-67.5%
WIC Supplemental Food Program	3,210	3,297	3,564	267	8.1%
TOTAL NUTRITION	3,693	3,793	3,928	135	3.6%
HEALTH					
Community Health Centers	604	620	604	-16	-2.6%
Family Planning	181	186	199	13	7.1%
Health Care for the Homeless	63	64	63	-1	-1.9%
Healthy Start	98	100	98	-3	-2.6%
Homeless Mental Health (4)	30	31	30	-1	-2.6%
Immunizations (5)	528	542	464	-78	-14.4%
Indian Health	1,646	1,690	1,571	-119	-7.1%
Indian Health Facilities	297	305	125	-180	-59.0%
Maternal & Child Health Block Grants	687	706	679	-27	-3.8%
Migrant Health	59	60	59	-1	-2.0%
National Health Service Corps	127	130	127	-3	-2.6%
Public Housing Health Services	9	9	9	0	0.0%
TOTAL LOW INCOME HEALTH	4,327	4,444	4,027	-417	-9.4%
EMPLOYMENT					
Adult Training Grants	988	1,015	1,130	115	11.4%
Job Corps	1,040	1,069	1,157	88	8.3%
Job Training for the Homeless	13	13	5	-8	-60.4%
Migrant/Seasonal Workers	86	88	78	-10	-10.9%
Native American	64	66	62	-4	-6.1%
Older Americans Employment	411	422	396	-26	-6.1%
Summer Youth Employment	888	912	1,056	144	15.8%
Youth Training Grants	659	676	599	-78	-11.5%
Youth Fair Chance	25	26	25	-1	-2.6%
TOTAL LOW INCOME EMPLOYMENT	4,173	4,286	4,508	222	5.2%
OTHER					
Child Care Block Grant (6)	919	944	1,091	147	15.6%
Child Welfare Services	295	303	295	-8	-2.6%
Colonias Assistance Program	0	0	100	100	NA
Community Development Block Grant	4,400	4,519	4,400	-119	-2.6%
Community Development Financial Instit.	0	0	144	144	NA
Community Services Block Grant	464	477	435	-42	-8.8%
Homeless Veterans Programs	60	62	62	0	0.3%
Legal Services for the Poor	400	411	500	89	21.7%
Low Income Energy Assistance	1,437	1,475	730	-745	-50.5%
Low Income Weatherization	207	212	250	37	17.6%
Project-Based Community Dev. Grants (7)	0	0	800	800	NA
Refugee Assistance	400	411	414	3	0.7%
Runaway and Homeless Youth	63	65	69	4	6.2%
VISTA	42	43	60	17	38.5%
TOTAL OTHER LOW INCOME DISCRETIONARY	8,686	8,920	9,348	428	4.8%

Appendix (cont'd)

	BUDGET AUTHORITY (APPROPRIATION) FOR FY 1994 (1)	FY 1995 BASELINE BA (2)	PROPOSED BUDGET AUTHORITY, FY 1995	DIFFERENCE FROM BASELINE	PERCENTAGE CHANGE
HOUSING					
HUD Subsidized Housing	17,270	17,348	16,757	-591	-3.4%
Certificates and Vouchers	1,327	1,363	2,743	1,380	101.3%
Public and Indian Housing Construction	742	762	413	-349	-45.8%
Public and Indian Housing Modernization	3,230	3,317	2,786	-531	-16.0%
Elderly and Disabled Housing	1,567	1,609	553	-1,056	-65.6%
Additional Subsidized Housing Activities (8)	2,447	2,513	2,974	460	18.3%
Subsidized Housing Renewals (9)	4,558	4,292	4,292	0	0.0%
Public Housing Operating Subsidies	2,621	2,692	2,496	-196	-7.3%
Severely Distressed Public Housing	778	799	500	-299	-37.4%
Other HUD Housing Programs	1,713	1,759	1,486	-272	-15.5%
Community Partnership Against Crime	265	272	265	-7	-2.6%
HOME Housing Grants	1,275	1,309	1,000	-309	-23.6%
HOPE Housing Grants (10)	81	83	100	17	20.2%
Housing Congregate Services	25	26	6	-20	-75.8%
Housing Counseling	12	12	50	38	316.7%
Non-profit Capacity Building (11)	20	21	0	-21	-100.0%
Youthbuild	28	29	50	21	73.9%
FDIC Affordable Housing	7	7	15	8	108.7%
Homeless Programs	953	979	1,250	271	27.7%
Homeless Assistance Grants (12)	0	0	1,120	1,120	NA
Emergency Food and Shelter (FEMA) (13)	130	134	130	-4	-3.0%
Emergency Shelter Grants	115	118	0	-118	-100.0%
Innovative Homeless Demonstration	100	103	0	-103	-100.0%
Supportive Housing	334	343	0	-343	-100.0%
Shelter Plus Care	124	127	0	-127	-100.0%
Section 8 Mod. Rehabilitation SRO	150	154	0	-154	-100.0%
Rural Housing Programs	1,263	1,297	958	-340	-26.2%
Rural Housing Loans (14)	719	738	338	-401	-54.3%
Rural Rental Assistance	447	459	523	64	13.9%
Rural Housing Vouchers	25	26	25	-1	-3.8%
Additional Rural Housing Programs (15)	72	74	72	-2	-2.7%
TOTAL LOW INCOME HOUSING	21,199	21,382	20,451	-931	-4.4%
TOTAL LOW INCOME DISCRETIONARY	61,383	62,652	62,808	157	0.2%
ENTITLEMENTS AND MANDATORY SPENDING					
	OMB BUDGET AUTHORITY FY 1994(16)	OMB FY 1995 BASELINE BA (17)	PROPOSED BUDGET AUTHORITY, FY 1995	DIFFERENCE FROM BASELINE	PERCENTAGE CHANGE
AFDC & Child Support	16,173	16,962	16,962	0	0.0%
Child Nutrition Programs	7,497	7,451	7,451	0	0.0%
Earned Income Tax Credit (18)	10,036	15,797	15,797	0	0.0%
Family Preservation & Support (19)	0	150	150	0	0.0%
Food Stamps	27,046	27,688	27,688	0	0.0%
Foster Care & Adoption Assistance	2,993	3,441	3,441	0	0.0%
Child Immunizations-Vaccine Purchase (4)	0	424	424	0	0.0%
Health Care Reform: Pub. Health Initiatives (20)	0	0	490	490	NA
JOBS Training for Welfare Recipients	1,100	1,300	1,300	0	0.0%
Medicaid (21)	89,077	89,238	89,223	-15	-0.0%
Nutrition Assistance to Puerto Rico	1,079	1,143	1,143	0	0.0%
Social Services Block Grant	3,900	2,800	2,800	0	0.0%
State Legalization Impact Assistance	812	243	243	0	0.0%
Supplemental Security Income (22)	27,334	27,875	27,857	-18	-0.1%
Veterans Pensions	3,398	3,344	3,344	0	0.0%
TOTAL ENTITLEMENTS	190,445	197,856	198,313	457	0.2%
TOTAL LOW INCOME DISCRETIONARY AND ENTITLEMENTS	251,828	260,508	261,121	614	0.2%

Notes to Appendix

(1) For discretionary programs, the FY 1994 budget authority (or appropriations figures) in the table come from the Congressional Budget Office.

(2) The "baseline" figures shown in this column for discretionary programs are the baseline estimates issued by the Congressional Budget Office in January 1994. These estimates show how much fiscal year 1995 funding is necessary to maintain fiscal year 1994 service levels in fiscal year 1995, with adjustment for inflation. CBO assumes the inflation rate between FY 1994 and FY 1995 will be 2.7 percent.

(3) This line includes two programs under the Department of Education: Adult Education for the Homeless (\$9.6 million) and Education of Homeless Children and Youth, (\$30 million).

(4) For FY 1994, this includes Projects to Aid in the Transition from Homelessness (PATH, funded at \$29.4 million) and ACCESS (funded at \$21.4 million). The Administration proposes to consolidate several mental health demonstration programs including ACCESS and the AIDS mental health services demonstration into a single program funded at \$47 million.

(5) The budget reconciliation law enacted in August 1993 established a new "mandatory spending" provision for the federal purchase of vaccines to be used for immunizing low income children. In FY 1995, \$424 million will be used for these purposes. This \$424 million is not subject to annual appropriations and is thus not a discretionary program and is not counted in the totals in this table. As a result of this new provision, the Center for Disease Control Child Immunization program will be able to reduce its purchase of vaccines for public health clinics and expand other services.

(6) The Administration proposes to consolidate three small child care programs into the Child Care and Development Block Grant and shows the funding total these programs in each column. In FY 1994, the Child Care and Development Block Grant appropriation was \$893 million. The line also includes child development associate scholarships (\$1.4 million in FY 1994), child care and crisis nurseries (\$11.9 million in FY 1994) and dependent care planning and development grants (\$12.9 million in FY 1994).

(7) This line includes \$500 million for grants to Empowerment Zones and Enterprise Communities, \$150 million for Economic Revitalization Grants and \$150 million in grants to assist in economic development planning and to enhance the capacity of community-based non-profit organizations.

(8) This line includes all activities included in HUD's "Annual Contributions to Assisted Housing" account other than the activities in the four lines in the table immediately preceding it. It includes funds for preserving privately-owned but federally subsidized housing projects (for which the Administration proposes no funding in FY 1995), Section 8 contract amendments, subsidies associated with property disposition of FHA-owned projects and other housing activities. FY 1995 appropriations for the Annual Contributions account is \$9.469 billion, or one percent below FY 1994 appropriations, after adjusting for inflation.

(9) The Department of Housing and Urban Development's estimate of the cost of renewing expiring subsidized housing contracts for Section 8 certificates and vouchers is shown here as the FY 1995 baseline level for this program.

(10) The Administration proposes to continue funding for HOPE implementation grants only for those projects which have initiated activities with funding from previous years. The FY 1994 figures do not include the actual and proposed rescissions of unobligated balances from FY 1993 and FY 1994 of \$316 million.

(11) Funds for capacity-building for non-profit housing and community development organizations will be available through the newly proposed Project-based Community Development Grants program.

(12) The Administration proposes to consolidate existing HUD homeless programs into a new block grant.

(13) The Administration proposes to continue funding for the Emergency Food and Shelter program at \$130 million as part of the Homeless Assistance Grants program, but would administer the program through HUD rather than FEMA.

(14) The rural housing loan figures cited here include only the subsidy value of the loans and not the administrative costs associated with making the loans.

(15) These programs include domestic farm labor housing, mutual and self-help housing, very low income repair grants, and rural preservation grants.

(16) For entitlements and mandatory spending, the estimates of FY 1994 budget authority shown in the table are the estimates of the Office of Management and Budget, as published in the *Budget of the United States Government, Analytical Perspectives FY 1995*.

(17) The "baseline" figures shown in this column for entitlements and mandatory spending are the OMB estimates of the amounts needed for these programs in fiscal year 1995 under current law.

(18) The figures shown here represent the portion of the earned income tax credit provided through payments to qualifying families. These figures do not include the portion of the EITC that represents reductions in income tax liabilities, since that portion of the EITC does not constitute a government outlay. (It constitutes a reduction in revenue collections.)

(19) The Family Preservation and Support is a new mandatory spending program authorized under the budget reconciliation law passed in August 1993.

(20) The Administration is proposing \$1.1 billion in mandatory Public health initiatives in FY 1995. Approximately \$490 billion of this spending is for capacity expansion, school-based health, Indian Health Service and mental health and substance abuse initiatives, which are likely to provide substantial benefits to low-income populations.

(21) The \$15 million in savings shown is the Administration's estimate of the effect of passage of health care reform on the Medicaid program in fiscal year 1995.

(22) The \$18 million savings in SSI would come from an Administration proposal to increase the collection of delinquent SSI benefit overpayments.

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